

A P P E N D I X

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**A data book on hospital  
financial performance**

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## A data book on hospital financial performance

This appendix provides data on hospital financial performance. Tables in this data book provide variables by hospital group and are presented for 10 years (1991 to 2000) unless otherwise noted below. Tables include data from the Medicare cost reports and the American Hospital Association annual survey of hospitals. Medicare cost report data from 2000 include imputed values for hospitals whose 2000 cost reports were not available (about 27 percent of observations). Hospitals are grouped by several attributes, including location (urban and rural), teaching status (major teaching, other teaching, nonteaching), receipt of disproportionate share payments, census region, and ownership status. All measures, with the exception of distribution data, are national aggregates, not the averages of individual facilities; this provides an overview of the industry as a whole. Definitions of the variables included in these tables can be found in the table notes.

The data book starts with case-based variables:

Table D-1 shows the trends in hospital payments per case, costs per case, and length of stay.

Table D-2 shows the trend in Medicare cost per discharge.

Table D-3 shows the trend in Medicare inpatient length of stay.

Further tables present data on a number of margin measures for prospective payment system (PPS) hospitals, based on Medicare cost report data. This analysis features our overall Medicare margin that incorporates payments and costs for inpatient and outpatient services, as well as hospital-based home health, skilled nursing, and PPS-exempt units. Margins for each of these components and the overall Medicare margin (that includes graduate medical education and Medicare bad debt) are presented by hospital group:

Table D-4 shows the trend in Medicare inpatient margins.

Table D-5 shows the distribution of Medicare inpatient margins for 2000.

Table D-6 shows the trend in Medicare outpatient margins for 1996 through 2000.

Table D-7 shows the distribution of Medicare outpatient margins for 2000.

Table D-8 shows the trend in hospital-based Medicare skilled nursing facility margins for 1996 through 2000.

Table D-9 shows the trend in hospital-based Medicare home health agency margins for 1996 through 2000.

Table D-10 shows the trend in Medicare PPS-exempt unit margins for 1996 through 2000.

Table D-11 shows the trend in the overall Medicare margins for 1996 through 2000.

Table D-12 shows the distribution of the overall Medicare margins for 2000.

The analysis is then expanded from Medicare to comparative tables among payers. These tables contain aggregate values for all community hospitals, which includes all PPS hospitals and most PPS-exempt facilities.

Table D-13 shows the trend in payment-to-cost ratio by source of revenue.

Table D-14 shows the trend in gains or losses by source of revenue.

The appendix concludes with data on hospital total margins. The total margin includes all patient care services funded by all payers, plus nonpatient revenue.

Table D-15 shows the trend in hospital total margins.

Table D-16 shows the distribution of hospital total margins for 2000.

**TABLE  
D-1****Change in hospital payment, cost, and length of stay indicators, 1991–2001**

Year	Medicare operating update	Market basket	Medicare payments per discharge	Medicare costs per discharge	Medicare length of stay	Total length of stay	Costs per adjusted admission
1991	3.4%	4.4%	6.1%	7.0%	–2.7%	–1.3%	5.5%
1992	3.0	3.2	6.2	4.6	–3.3	–1.6	5.7
1993	2.7	3.1	3.5	1.2	–5.5	–2.3	3.4
1994	2.0	2.6	3.1	–1.1	–6.0	–3.8	–0.1
1995	2.0	3.2	4.9	–1.2	–6.2	–4.3	–0.5
1996	1.5	2.4	5.5	–0.5	–5.6	–3.5	0.4
1997	2.0	2.0	0.5	0.1	–3.6	–1.9	–1.5
1998	0.0	2.9	–0.1	1.7	–2.2	–0.9	–2.3
1999	1.1	2.5	0.6	2.9	–1.3	–1.8	2.7
2000	1.1	3.6	1.2	2.9	–1.9	–1.9	2.1
2001	3.4	4.3	N/A	N/A	N/A	–1.3	4.7

Note: N/A = not available. Excludes critical access hospitals.

Source: MedPAC analysis of Medicare cost report data (fourth quarter 2002) from CMS, and data from the American Hospital Association annual survey of hospitals.

**TABLE  
D-2****Change in Medicare inpatient costs per discharge, 1991–2000**

Hospital group	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
All hospitals	7.0%	4.6%	1.2%	–1.1%	–1.2%	–0.5%	0.1%	1.7%	2.9%	2.9%
Urban	6.7	4.4	1.1	–1.5	–1.4	–0.6	0.1	1.6	2.9	2.8
Rural	8.7	5.9	2.1	0.8	0.1	0.7	1.4	2.8	3.3	3.4
Large urban	6.1	3.4	1.3	–2.0	–1.5	–0.7	0.2	1.6	2.7	2.6
Other urban	7.6	6.1	0.8	–0.6	–1.2	–0.3	–0.1	1.7	3.3	3.1
Rural referral	8.7	5.6	2.1	0.2	–0.4	–0.1	1.0	3.2	3.8	3.4
Sole community	8.6	4.8	2.5	1.1	1.6	1.2	1.6	2.6	2.4	4.4
Small rural Medicare-dependent	9.2	4.7	1.8	1.5	–2.5	3.7	2.4	2.2	1.3	5.0
Other rural < 50 beds	6.8	6.3	2.2	2.3	2.1	1.9	1.2	4.5	3.1	3.0
Other rural ≥ 50 beds	8.7	7.0	1.5	0.8	–0.3	0.2	1.7	1.9	3.6	2.1
Major teaching	6.9	3.7	2.0	–2.5	–1.1	0.5	–0.2	2.0	3.2	2.6
Other teaching	6.8	4.5	0.8	–1.2	–0.8	–0.9	0.3	1.1	2.4	3.1
Nonteaching	7.2	4.8	1.1	–0.7	–1.8	–0.9	0.3	2.0	3.3	3.0
Major teaching										
Public	7.3	5.6	0.3	–3.5	–1.8	5.3	1.5	0.4	5.3	5.9
Private	6.8	3.3	2.3	–2.4	–0.9	–0.5	–0.5	2.4	2.7	1.9
Other teaching										
Public	8.6	5.2	0.4	–1.1	–1.9	–2.8	–0.6	4.9	2.9	0.9
Private	6.6	4.5	0.9	–1.2	–0.7	–0.8	0.4	0.9	2.4	3.2
Nonteaching										
Public	9.0	5.6	2.1	0.8	–1.0	0.6	0.7	2.3	2.4	4.1
Private	6.8	4.7	0.9	–1.0	–1.9	–1.2	0.2	2.0	3.5	2.8
DSH										
Large urban	6.2	3.0	0.9	–2.1	–1.4	–0.5	0.6	1.3	2.9	2.9
Other urban	7.9	6.5	0.8	–0.4	–1.4	–0.2	0.1	1.6	3.6	3.7
Rural	9.4	7.1	2.3	0.1	–1.4	0.2	1.6	3.6	3.0	3.8
Non-DSH	7.1	4.8	1.5	–0.9	–0.9	–0.7	–0.1	1.9	2.7	2.5
Teaching and DSH	7.0	4.3	0.9	–1.7	–1.0	–0.2	0.2	1.1	3.1	3.1
Teaching and non-DSH	6.5	4.5	2.1	–1.4	–0.6	–1.0	–0.1	2.2	1.6	2.4
Nonteaching and DSH	7.0	4.8	0.8	–0.8	–2.4	–1.6	0.5	2.2	3.0	3.6
Nonteaching and non-DSH	7.4	4.9	1.2	–0.6	–1.3	–0.4	0.1	1.9	3.5	2.6
New England	2.7	4.3	2.6	0.9	–0.5	–1.6	–0.7	0.1	1.2	–0.2
Middle Atlantic	6.7	4.7	2.2	–0.7	0.1	–0.9	0.0	0.7	2.1	1.9
South Atlantic	6.8	4.6	1.0	–1.8	–2.1	–0.8	0.5	1.4	3.5	4.7
East North Central	7.5	5.0	1.0	–0.6	–0.2	–0.4	–0.5	2.2	2.5	2.5
East South Central	10.2	7.3	0.1	–3.2	–1.9	1.2	0.8	2.8	3.3	2.6
West North Central	6.3	4.9	1.4	0.1	–0.6	2.6	1.4	2.5	3.9	2.3
West South Central	8.5	3.9	1.9	–1.6	–3.4	–1.7	0.1	1.5	2.7	4.5
Mountain	6.4	5.4	–0.3	0.4	–1.4	0.3	0.7	2.8	2.7	5.4
Pacific	6.9	3.0	0.2	–1.7	–1.5	–0.2	0.8	2.8	5.2	4.3
Voluntary	6.9	4.6	1.4	–1.0	–0.9	–0.3	0.0	1.7	2.8	2.6
Proprietary	6.2	3.6	–0.7	–3.0	–3.6	–3.8	0.8	1.4	4.1	4.4
Urban government	7.9	5.5	0.8	–1.5	–2.0	1.5	–0.3	1.9	3.6	4.3
Rural government	9.5	6.3	3.1	2.0	0.1	1.7	1.6	2.7	2.0	3.8

Note: DSH (disproportionate share). Major teaching hospitals are defined by a ratio of interns and residents to beds of 0.25 or greater, while other teaching hospitals have a ratio of less than 0.25. Excludes critical access hospitals.

Source: MedPAC analysis of Medicare cost report data (fourth quarter 2002) from CMS.

**TABLE  
D-3****Change in Medicare inpatient length of stay, 1991–2000**

Hospital group	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
All hospitals	-2.7%	-3.3%	-5.5%	-6.0%	-6.2%	-5.6%	-3.6%	-2.2%	-1.3%	-1.9%
Urban	-3.0	-3.4	-5.9	-6.3	-6.6	-5.9	-3.7	-2.2	-1.2	-1.9%
Rural	-1.3	-3.1	-3.5	-4.3	-4.7	-4.2	-3.2	-2.2	-1.6	-2.3%
Large urban	-3.4	-3.8	-5.7	-6.7	-6.4	-5.9	-3.5	-2.1	-1.0	-1.7
Other urban	-2.3	-2.8	-6.0	-5.8	-6.7	-5.9	-3.8	-2.3	-1.4	-2.1
Rural referral	-1.9	-3.7	-4.6	-6.3	-6.0	-5.7	-3.5	-1.7	-1.8	-1.6
Sole community	-1.0	-2.2	-3.0	-2.9	-3.6	-3.5	-3.0	-2.7	-1.4	-2.4
Small rural Medicare-dependent	-0.5	-2.7	-2.3	-2.0	-3.9	-1.2	-1.3	-2.3	-3.0	-1.8
Other rural < 50 beds	-2.0	-2.5	-1.7	-3.4	-1.3	-2.9	-2.8	-3.3	0.0	-4.8
Other rural ≥ 50 beds	-1.1	-3.2	-3.2	-3.6	-5.2	-3.8	-3.6	-2.0	-1.6	-2.6
Major teaching	-3.2	-3.5	-5.8	-7.2	-6.7	-6.6	-4.5	-2.4	-0.9	-1.5
Other teaching	-3.0	-3.4	-6.2	-6.3	-6.3	-6.0	-3.8	-2.5	-1.6	-1.7
Nonteaching	-2.3	-3.4	-4.9	-5.4	-6.1	-5.0	-3.1	-2.0	-1.2	-2.2
Major teaching										
Public	-2.2	-3.1	-5.8	-5.6	-6.8	-5.0	-2.4	-4.3	-0.5	-1.6
Private	-3.4	-3.5	-5.8	-7.5	-6.7	-6.9	-4.9	-2.0	-1.0	-1.5
Other teaching										
Public	-3.6	-2.0	-7.5	-6.2	-6.8	-7.4	-4.7	-0.5	-2.2	-2.3
Private	-3.0	-3.5	-6.1	-6.3	-6.3	-5.9	-3.8	-2.7	-1.6	-1.7
Nonteaching										
Public	-0.9	-3.1	-3.5	-3.5	-4.9	-3.9	-2.7	-2.1	-1.4	-1.6
Private	-2.6	-3.4	-5.1	-5.7	-6.3	-5.3	-3.2	-2.0	-1.1	-2.3
DSH										
Large urban	-3.6	-3.6	-5.8	-6.3	-6.4	-5.9	-3.5	-2.3	-1.0	-1.2
Other urban	-2.4	-2.6	-6.1	-5.8	-6.7	-5.9	-3.7	-2.3	-1.3	-1.9
Rural	-1.2	-2.8	-3.5	-4.4	-5.6	-5.4	-3.8	-2.0	-2.2	-2.2
Non-DSH	-2.3	-3.6	-5.1	-6.0	-5.9	-5.3	-3.6	-2.2	-1.3	-2.3
Teaching and DSH	-3.2	-3.1	-6.1	-6.6	-6.5	-6.5	-4.0	-2.5	-1.4	-1.5
Teaching and non-DSH	-2.7	-3.9	-5.9	-6.7	-6.3	-5.7	-4.2	-2.5	-1.4	-2.0
Nonteaching and DSH	-2.6	-3.3	-5.2	-5.1	-6.5	-5.3	-3.1	-2.0	-1.0	-1.8
Nonteaching and non-DSH	-2.2	-3.5	-4.6	-5.6	-5.8	-4.9	-3.2	-2.0	-1.3	-2.5
New England	-7.8	-4.3	-5.4	-7.5	-8.6	-7.8	-6.4	-3.2	-1.7	-3.3
Middle Atlantic	-2.8	-2.2	-5.8	-6.3	-6.7	-6.7	-4.9	-3.6	-1.5	-2.3
South Atlantic	-2.6	-4.2	-5.0	-6.1	-6.6	-5.7	-3.2	-2.1	-1.5	-0.9
East North Central	-2.8	-3.9	-6.0	-6.5	-5.8	-6.1	-3.5	-1.9	-1.4	-2.1
East South Central	-0.5	-2.5	-5.4	-6.1	-6.4	-4.4	-3.7	-1.7	-1.5	-2.5
West North Central	-2.7	-3.8	-5.6	-4.9	-5.0	-3.0	-2.3	-2.0	-1.4	-2.7
West South Central	-1.3	-3.4	-4.4	-5.4	-6.8	-4.9	-2.7	-1.7	-1.0	-1.4
Mountain	-3.2	-2.7	-6.7	-5.1	-5.7	-3.8	-1.7	-1.7	-0.6	-1.6
Pacific	-3.1	-4.8	-6.2	-4.8	-3.2	-3.1	-0.4	-0.1	0.6	0.3
Voluntary	-2.9	-3.4	-5.6	-6.3	-6.3	-5.7	-3.9	-2.4	-1.4	-2.0
Proprietary	-2.5	-3.7	-5.3	-5.8	-6.6	-5.8	-2.6	-1.3	-0.2	-1.2
Urban government	-2.2	-2.8	-5.8	-5.3	-6.6	-5.3	-3.2	-2.3	-1.1	-1.5
Rural government	-0.7	-3.0	-2.5	-2.7	-4.0	-3.5	-2.7	-2.1	-1.8	-2.0

Note: DSH (disproportionate share). Major teaching hospitals are defined by a ratio of interns and residents to beds of 0.25 or greater, while other teaching hospitals have a ratio of less than 0.25. Excludes critical access hospitals.

Source: MedPAC analysis of Medicare cost report data (fourth quarter 2002) from CMS.

**TABLE  
D-4****Medicare inpatient margins excluding payments for direct graduate medical education, by hospital group, 1991–2000**

Hospital group	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
All hospitals	-2.4%	-0.9%	1.3%	5.6%	11.1%	16.1%	16.5%	14.4%	12.3%	10.8%
Urban	-2.2	-0.8	1.6	6.4	11.8	16.9	17.4	15.6	13.5	12.1
Rural	-3.7	-1.4	-0.5	0.6	6.1	10.7	10.0	6.3	4.4	2.7
Large urban	-1.6	0.4	3.0	8.6	13.9	19.1	19.5	17.9	16.0	14.6
Other urban	-3.3	-2.9	-0.8	2.7	8.3	13.5	14.3	12.2	9.8	8.2
Rural referral	-3.7	-1.0	-1.1	0.0	5.8	10.5	10.0	6.3	4.8	3.1
Sole community	-0.9	2.1	4.1	5.2	8.6	12.9	11.5	8.0	5.8	3.8
Small rural Medicare-dependent	1.2	3.3	2.4	-0.6	6.7	10.9	11.8	10.3	8.9	5.9
Other rural < 50 beds	-5.4	-4.2	-1.2	-0.8	4.5	9.9	9.9	5.6	3.9	2.0
Other rural ≥ 50 beds	-7.1	-5.7	-3.8	-1.8	4.6	9.3	8.3	3.8	1.3	0.5
Major teaching	6.8	8.7	10.9	16.8	21.5	25.8	25.9	24.9	23.1	22.9
Other teaching	-2.8	-1.7	0.7	4.8	10.0	15.0	15.5	13.8	12.1	10.2
Nonteaching	-6.4	-5.0	-3.0	0.6	6.6	11.7	12.4	9.3	6.7	4.9
Major teaching										
Public	10.8	11.4	14.4	21.0	26.1	28.5	28.7	27.5	23.9	21.0
Private	5.9	8.2	10.1	15.8	20.3	25.2	25.2	24.3	22.9	23.3
Other teaching										
Public	-1.5	-0.4	1.9	4.9	10.4	14.3	15.9	11.0	10.0	7.9
Private	-2.9	-1.7	0.7	4.8	10.1	15.0	15.5	14.0	12.3	10.3
Nonteaching										
Public	-6.3	-5.1	-3.5	-2.0	3.9	8.2	7.9	4.8	3.0	0.2
Private	-6.4	-4.9	-2.9	1.0	7.1	12.3	13.2	10.0	7.3	5.7
DSH										
Large urban	2.2	4.6	7.7	13.6	18.5	23.1	22.8	21.5	19.8	18.5
Other urban	-1.4	-0.9	1.2	4.8	10.7	15.6	16.3	14.1	11.7	9.8
Rural	-2.7	-1.1	-0.4	0.1	7.3	12.7	12.1	7.3	5.7	3.8
Non-DSH	-6.7	-5.4	-3.9	-0.4	5.2	10.8	11.6	9.1	7.0	5.6
Teaching and DSH	3.1	4.7	7.4	12.5	17.3	21.5	21.5	20.4	18.4	17.0
Teaching and non-DSH	-4.6	-3.2	-1.8	2.2	7.7	14.0	14.6	12.9	11.7	10.7
Nonteaching and DSH	-4.2	-2.5	-0.1	3.9	10.3	15.6	15.8	12.7	10.3	8.3
Nonteaching and non-DSH	-8.1	-7.0	-5.3	-2.2	3.5	8.4	9.5	6.3	3.6	2.0
New England	-2.1	0.0	1.3	5.3	10.0	17.3	19.3	17.6	15.8	16.8
Middle Atlantic	1.1	2.3	4.5	8.9	12.7	18.2	19.1	20.2	19.8	20.0
South Atlantic	-5.9	-4.3	-2.3	2.7	9.5	14.5	15.5	12.4	10.0	7.0
East North Central	-5.1	-3.4	-1.2	2.2	7.1	12.1	13.3	10.0	7.8	6.4
East South Central	-3.7	-4.4	-1.9	4.0	11.2	15.9	15.2	11.9	10.4	8.2
West North Central	-3.0	-2.7	-1.2	2.4	7.1	10.9	10.3	8.6	6.3	6.3
West South Central	-4.5	-2.3	-0.6	4.0	11.4	17.6	17.0	15.3	12.1	10.5
Mountain	1.7	3.4	6.5	8.4	13.1	17.0	16.6	12.8	9.4	5.8
Pacific	1.4	4.3	7.9	13.2	18.9	23.0	21.6	18.4	15.3	12.9
Voluntary	-2.4	-1.0	1.0	5.1	10.1	15.2	15.9	13.8	11.9	10.7
Proprietary	-4.7	-2.4	1.2	7.8	15.5	21.3	20.7	18.6	15.7	13.5
Urban government	1.5	2.5	5.3	1.3	16.1	19.6	19.6	17.5	14.8	12.1
Rural government	-4.6	-3.1	-2.2	-2.7	3.0	7.4	6.6	3.0	1.5	-0.8

Note: DSH (disproportionate share). Major teaching hospitals are defined by a ratio of interns and residents to beds of 0.25 or greater, while other teaching hospitals have a ratio of less than 0.25. A margin is calculated as revenue minus costs divided by revenue; margins are based on Medicare-allowed costs. Medicare inpatient margin includes services covered by the inpatient prospective payment system. 2000 values are imputed for hospitals whose 2000 cost reports were not available (about 27 percent of observations). Excludes critical access hospitals.

Source: MedPAC analysis of Medicare cost report data (fourth quarter 2002) from CMS.

**TABLE  
D-5****Distribution of Medicare inpatient margins excluding payments for direct graduate medical education, by hospital group, 2000**

Hospital group	Number of hospitals	Percentile					Percent with negative margins
		10th	25th	50th	75th	90th	
All hospitals	4,124	-17.2%	-5.5%	6.0%	16.7%	26.9%	36.3%
Urban	2,458	-13.7	-2.7	7.8	17.9	27.8	31.2
Rural	1,666	-22.4	-9.0	2.9	14.4	24.6	43.7
Large urban	1,405	-12.5	-1.0	10.1	20.8	29.6	27.3
Other urban	1,053	-14.9	-5.0	5.0	14.0	22.8	36.4
Rural referral	222	-13.2	-6.9	1.9	11.8	19.1	44.6
Sole community	515	-21.7	-8.2	4.8	17.2	28.6	39.8
Small rural Medicare-dependent	221	-18.9	-6.0	7.4	17.0	27.1	35.7
Other rural < 50 beds	354	-29.8	-12.9	2.3	15.6	24.8	46.6
Other rural ≥ 50 beds	354	-24.4	-9.9	-0.2	9.2	19.1	50.8
Major teaching	280	5.4	15.0	23.2	31.4	38.9	5.7
Other teaching	755	-7.3	1.6	9.4	18.1	27.3	21.9
Nonteaching	3,089	-20.4	-8.0	3.4	14.1	23.7	42.5
Major teaching							
Public	76	5.9	13.4	22.2	30.5	37.2	3.9
Private	204	5.1	15.2	23.8	31.5	39.1	6.4
Other teaching							
Public	57	-21.1	-3.8	6.8	14.6	21.6	35.1
Private	698	-6.8	1.8	9.5	18.3	27.6	20.8
Nonteaching							
Public	813	-25.2	-10.5	1.1	13.4	23.6	47.2
Private	2,276	-18.3	-6.8	4.0	14.3	23.8	40.9
DSH							
Large urban	748	-4.2	6.1	15.9	25.6	34.2	15.2
Other urban	579	-9.5	-1.2	8.0	16.2	25.6	27.1
Rural	375	-21.0	-6.8	5.5	18.8	28.5	37.6
Non-DSH	2,422	-21.6	-8.8	2.3	12.6	21.7	44.7
Teaching and DSH	683	-2.7	6.4	15.7	25.7	34.5	12.3
Teaching and non-DSH	352	-10.8	-1.3	7.7	16.9	25.6	27.6
Nonteaching and DSH	1,019	-13.7	-3.7	7.5	18.3	27.2	32.2
Nonteaching and non-DSH	2,070	-23.0	-9.9	0.9	11.8	21.2	47.6
New England	172	-17.9	-6.7	8.2	21.2	28.8	33.1
Middle Atlantic	467	-8.6	1.8	12.2	24.1	35.4	20.6
South Atlantic	598	-14.9	-4.4	4.4	14.0	21.6	37.5
East North Central	652	-23.1	-11.2	-0.2	10.8	19.8	50.5
East South Central	386	-11.4	-1.0	9.2	19.7	27.8	27.5
West North Central	499	-19.9	-9.5	1.5	11.8	20.9	47.9
West South Central	569	-16.2	-3.7	8.4	18.8	28.7	32.0
Mountain	267	-23.5	-7.4	3.9	16.0	25.0	41.6
Pacific	514	-17.1	-3.7	9.0	19.5	29.6	29.4
Voluntary	2,520	-15.4	-5.1	5.7	16.0	26.0	36.3
Proprietary	658	-11.5	-0.7	10.1	20.2	29.5	26.4
Urban government	312	-17.4	-5.5	7.9	18.7	29.6	34.0
Rural government	634	-26.9	-10.8	0.9	13.4	23.9	47.5

Note: DSH (disproportionate share). Major teaching hospitals are defined by a ratio of interns and residents to beds of 0.25 or greater, while other teaching hospitals have a ratio of less than 0.25. A margin is calculated as revenue minus costs divided by revenue; margins are based on Medicare-allowed costs. Medicare inpatient margin includes services covered by the inpatient prospective payment system. Data are imputed for hospitals whose 2000 cost reports were not available (about 27 percent of observations). Excludes critical access hospitals.

Source: MedPAC analysis of Medicare cost report data (fourth quarter 2002) from CMS.



**TABLE  
D-6****Medicare outpatient margins excluding  
payments for direct graduate medical  
education, by hospital group, 1996–2000**

Hospital group	1996	1997	1998	1999	2000
All hospitals	–7.6%	–6.7%	–16.1%	–16.4%	–13.7%
Urban	–7.9	–6.9	–16.2	–16.5	–13.6
Rural	–6.4	–5.9	–15.7	–16.1	–13.9
Large urban	–8.3	–7.1	–16.9	–16.7	–13.9
Other urban	–7.4	–6.6	–15.3	–16.2	–13.3
Rural referral	–5.4	–5.1	–14.4	–14.4	–11.1
Sole community	–4.3	–2.8	–13.7	–14.3	–12.0
Small rural Medicare-dependent	–9.6	–8.8	–18.4	–18.3	–17.5
Other rural < 50 beds	–10.1	–9.4	–18.6	–20.0	–19.9
Other rural ≥ 50 beds	–7.8	–7.5	–17.8	–18.3	–17.2
Major teaching	–10.5	–10.0	–19.3	–18.3	–17.8
Other teaching	–6.9	–6.4	–15.0	–15.3	–12.0
Nonteaching	–7.0	–5.7	–15.6	–16.4	–13.2
Major teaching					
Public	–12.6	–13.1	–20.3	–19.3	–21.8
Private	–10.0	–9.3	–19.0	–18.0	–16.9
Other teaching					
Public	–7.9	–7.5	–13.8	–14.5	–15.4
Private	–6.9	–6.3	–15.1	–15.4	–11.8
Nonteaching					
Public	–7.1	–7.5	–16.4	–16.2	–16.1
Private	–7.0	–5.3	–15.5	–16.4	–12.6
DSH					
Large urban	–8.8	–8.0	–17.6	–17.2	–15.5
Other urban	–7.5	–6.6	–15.7	–16.5	–13.7
Rural	–5.4	–4.0	–16.0	–16.8	–16.0
Non-DSH	–7.2	–6.2	–15.4	–15.9	–12.4
Teaching and DSH	–8.8	–8.4	–17.2	–17.0	–15.5
Teaching and non-DSH	–7.1	–6.4	–15.4	–15.3	–11.5
Nonteaching and DSH	–6.6	–5.1	–15.9	–16.7	–13.6
Nonteaching and non-DSH	–7.2	–6.1	–15.4	–16.2	–13.0
New England	–7.8	–7.4	–14.9	–14.6	–13.0
Middle Atlantic	–10.6	–9.2	–18.0	–17.4	–13.0
South Atlantic	–6.3	–5.3	–13.8	–14.6	–13.1
East North Central	–7.8	–7.9	–17.4	–17.8	–15.6
East South Central	–6.6	–6.4	–16.9	–18.4	–16.4
West North Central	–6.5	–5.6	–14.2	–14.2	–12.7
West South Central	–7.0	–4.3	–14.8	–16.2	–14.0
Mountain	–6.1	–4.3	–13.9	–13.7	–11.2
Pacific	–7.9	–6.6	–18.4	–18.4	–12.6
Voluntary	–7.6	–6.6	–16.0	–16.1	–13.0
Proprietary	–6.5	–4.3	–15.5	–17.8	–14.0
Urban government	–9.7	–9.7	–17.5	–17.3	–18.1
Rural government	–6.9	–7.6	–16.8	–16.2	–16.5

Note: DSH (disproportionate share). Major teaching hospitals are defined by a ratio of interns and residents to beds of 0.25 or greater, while other teaching hospitals have a ratio of less than 0.25. A margin is calculated as revenue minus costs divided by revenue; margins are based on Medicare-allowed costs. 2000 values were imputed for hospitals whose 2000 cost reports were not available (about 27 percent of observations). Excludes critical access hospitals.

Source: MedPAC analysis of Medicare cost report data (fourth quarter 2002 for 1996, 1998–2000 data; fourth quarter 1999 for 1997 data) from CMS.

**TABLE  
D-7****Distribution of Medicare outpatient margins excluding payments for direct graduate medical education, by hospital group, 2000**

Hospital group	Number of hospitals	Percentile					Percent with negative margins
		10th	25th	50th	75th	90th	
All hospitals	3,897	-31.6%	-22.8%	-15.3%	-8.6%	-1.3%	91.7%
Urban	2,346	-31.7	-22.4	-14.4	-7.2	0.3	89.8
Rural	1,551	-31.2	-23.5	-16.7	-10.3	-4.1	94.5
Large urban	1,351	-32.0	-22.3	-14.0	-6.8	1.0	88.7
Other urban	995	-31.5	-22.5	-14.5	-7.6	-1.0	91.2
Rural referral	207	-24.6	-18.0	-11.6	-6.7	1.0	89.4
Sole community	488	-27.9	-20.5	-14.3	-8.9	-3.4	93.0
Small rural Medicare-dependent	204	-33.6	-27.0	-19.2	-12.8	-8.0	96.6
Other rural < 50 beds	331	-36.7	-26.6	-20.3	-14.6	-7.5	97.3
Other rural ≥ 50 beds	321	-31.2	-24.3	-18.0	-12.3	-6.0	96.0
Major teaching	253	-34.5	-25.4	-16.9	-9.7	-1.1	92.9
Other teaching	718	-29.6	-20.1	-13.0	-6.3	0.9	88.4
Nonteaching	2,926	-31.7	-23.2	-15.8	-9.1	-2.1	92.3
Major teaching							
Public	55	-51.6	-29.3	-15.8	-8.0	-0.8	92.7
Private	198	-31.7	-25.2	-16.9	-9.8	-1.3	92.9
Other teaching							
Public	44	-31.0	-21.8	-14.6	-9.2	-1.2	90.9
Private	674	-29.5	-20.0	-12.9	-6.2	0.9	88.3
Nonteaching							
Public	761	-36.1	-25.1	-18.1	-11.0	-5.1	96.3
Private	2,165	-30.6	-22.3	-15.0	-8.4	-1.0	90.9
DSH							
Large urban	702	-33.7	-23.1	-14.7	-7.3	1.2	88.7
Other urban	545	-29.8	-21.6	-14.6	-8.3	-1.2	91.2
Rural	338	-32.4	-24.2	-16.7	-10.7	-5.2	95.6
Non-DSH	2,312	-31.4	-22.8	-15.5	-8.6	-1.5	92.1
Teaching and DSH	631	-31.3	-22.2	-14.7	-7.8	-0.8	91.3
Teaching and non-DSH	340	-31.0	-20.3	-12.0	-4.6	2.7	86.5
Nonteaching and DSH	954	-32.6	-23.6	-15.3	-8.8	-1.2	90.9
Nonteaching and non-DSH	1,972	-31.4	-23.0	-16.0	-9.2	-2.5	93.1
New England	172	-25.2	-18.1	-13.8	-8.2	-4.0	95.3
Middle Atlantic	452	-29.2	-20.3	-11.0	-1.4	6.4	78.5
South Atlantic	586	-29.2	-21.5	-15.3	-9.1	-3.3	94.9
East North Central	638	-32.3	-24.5	-16.8	-10.0	-1.9	92.5
East South Central	303	-35.6	-24.5	-17.9	-10.6	-5.0	96.0
West North Central	444	-29.0	-21.4	-15.6	-9.3	-3.4	94.6
West South Central	544	-34.3	-23.8	-15.2	-9.4	-3.3	94.9
Mountain	261	-29.2	-21.1	-14.0	-7.5	-1.0	91.2
Pacific	497	-37.4	-25.1	-15.8	-8.5	1.0	88.9
Voluntary	2,410	-29.5	-21.1	-14.4	-7.5	0.3	89.7
Proprietary	627	-35.2	-25.1	-16.0	-8.8	-3.0	93.5
Urban government	272	-39.4	-26.3	-16.9	-8.8	-1.6	92.6
Rural government	586	-34.3	-24.6	-18.1	-11.6	-6.7	97.3

Note: DSH (disproportionate share). Major teaching hospitals are defined by a ratio of interns and residents to beds of 0.25 or greater, while other teaching hospitals have a ratio of less than 0.25. A margin is calculated as revenue minus costs divided by revenue; margins are based on Medicare-allowed costs. Data are imputed for hospitals whose 2000 cost reports were not available (about 27 percent of observations). Excludes critical access hospitals.

Source: MedPAC analysis of Medicare cost report and impact file data (fourth quarter 2002) from CMS.

**TABLE  
D-8****Hospital-based Medicare skilled nursing facility  
margins excluding graduate medical  
education, by hospital group, 1996–2000**

Hospital group	1996	1997	1998	1999	2000
All hospitals	–10.2%	–12.0%	–25.3%	–56.0%	–57.3%
Urban	–10.2	–12.2	–25.4	–54.9	–56.7
Rural	–10.6	–11.0	–24.6	–60.8	–60.0
Large urban	–9.9	–12.3	–23.9	–51.4	–53.2
Other urban	–10.7	–12.2	–27.8	–60.1	–62.2
Rural referral	–9.0	–9.7	–26.2	–68.9	–71.1
Sole community	–13.6	–13.6	–25.8	–49.8	–51.0
Small rural Medicare-dependent	–15.6	–15.6	–36.8	–63.0	–58.8
Other rural < 50 beds	–7.6	–8.8	–20.3	–32.1	–19.3
Other rural ≥ 50 beds	–10.9	–11.0	–19.4	–65.4	–64.4
Major teaching	–10.4	–11.2	–23.4	–58.6	–57.2
Other teaching	–10.5	–12.8	–27.6	–54.4	–55.2
Nonteaching	–10.1	–11.7	–24.4	–56.4	–58.5
Major teaching					
Public	–6.4	–15.4	–20.2	–88.5	–100.2
Private	–10.7	–10.8	–23.7	–56.4	–53.9
Other teaching					
Public	–7.6	–9.7	–25.5	–55.9	–71.6
Private	–10.6	–13.0	–27.7	–54.4	–54.5
Nonteaching					
Public	–11.5	–10.5	–23.3	–58.3	–60.7
Private	–9.9	–11.9	–24.6	–56.1	–58.1
DSH					
Large urban	–10.6	–12.6	–23.2	–51.4	–52.6
Other urban	–11.0	–13.1	–29.0	–58.9	–62.2
Rural	–8.4	–9.3	–19.7	–70.0	–65.1
Non-DSH	–9.8	–11.4	–25.5	–56.1	–57.3
Teaching and DSH	–11.3	–12.8	–26.6	–55.6	–55.9
Teaching and non-DSH	–8.8	–11.9	–26.9	–54.5	–55.0
Nonteaching and DSH	–9.9	–12.2	–23.7	–56.0	–58.9
Nonteaching and non-DSH	–10.3	–11.2	–25.0	–56.7	–58.2
New England	–19.2	–20.9	–30.5	–56.4	–60.4
Middle Atlantic	–6.8	–6.2	–33.1	–47.2	–36.7
South Atlantic	–7.2	–10.6	–21.7	–60.7	–63.8
East North Central	–10.3	–12.7	–23.6	–63.9	–67.5
East South Central	–4.7	–7.1	–25.9	–62.3	–66.6
West North Central	–13.7	–14.8	–24.4	–58.1	–54.5
West South Central	–11.7	–14.2	–25.8	–58.0	–64.7
Mountain	–10.1	–11.7	–29.8	–53.9	–56.9
Pacific	–11.3	–12.8	–22.8	–42.7	–48.2
Voluntary	–10.6	–12.0	–26.7	–56.4	–56.7
Proprietary	–8.6	–12.8	–20.8	–51.5	–55.6
Urban government	–10.1	–12.2	–26.0	–57.1	–65.7
Rural government	–11.6	–8.6	–19.5	–63.7	–62.0

Note: DSH (disproportionate share). Major teaching hospitals are defined by a ratio of interns and residents to beds of 0.25 or greater, while other teaching hospitals have a ratio of less than 0.25. A margin is calculated as revenue minus costs divided by revenue; margins are based on Medicare-allowed costs. 2000 values are imputed for hospitals whose 2000 cost reports were not available (about 27 percent of observations). Excludes critical access hospitals.

Source: MedPAC analysis of Medicare cost report data (fourth quarter 2002) from CMS.

**TABLE  
D-9****Hospital-based Medicare home health agency  
margins excluding graduate medical  
education, by hospital group, 1996–2000**

Hospital group	1996	1997	1998	1999	2000
All hospitals	–4.4%	–4.0%	–24.1%	–13.2%	–10.0%
Urban	–4.5	–3.9	–22.3	–11.9	–8.9
Rural	–4.2	–4.3	–30.0	–17.6	–13.9
Large urban	–4.5	–3.4	–19.6	–10.3	–8.2
Other urban	–4.4	–4.5	–26.6	–14.5	–10.2
Rural referral	–3.5	–4.2	–32.3	–18.0	–12.8
Sole community	–5.6	–6.2	–35.4	–21.9	–18.5
Small rural Medicare-dependent	–3.1	–3.3	–27.0	–16.3	–9.4
Other rural < 50 beds	–2.3	–3.4	–24.4	–16.0	–12.5
Other rural ≥ 50 beds	–5.1	–3.6	–26.8	–14.2	–13.5
Major teaching	–5.6	–4.4	–17.6	–13.3	–11.6
Other teaching	–4.6	–3.8	–21.3	–11.3	–8.1
Nonteaching	–4.2	–4.0	–26.6	–14.2	–10.8
Major teaching					
Public	–8.0	–12.8	–31.9	–32.4	–34.9
Private	–5.5	–4.0	–16.7	–11.8	–10.4
Other teaching					
Public	–4.8	–1.9	–25.9	–13.6	–8.6
Private	–4.6	–3.9	–21.0	–11.2	–8.1
Nonteaching					
Public	–3.6	–4.1	–31.2	–20.4	–16.2
Private	–4.3	–4.0	–25.7	–13.0	–9.8
DSH					
Large urban	–4.5	–3.8	–20.9	–11.4	–9.5
Other urban	–4.5	–4.4	–25.7	–14.4	–9.9
Rural	–3.0	–3.3	–28.7	–15.8	–13.2
Non-DSH	–4.5	–4.0	–24.6	–13.4	–10.0
Teaching and DSH	–5.0	–4.3	–21.0	–12.6	–10.2
Teaching and non-DSH	–4.4	–3.1	–19.2	–10.2	–6.6
Nonteaching and DSH	–3.7	–3.7	–26.2	–13.5	–10.0
Nonteaching and non-DSH	–4.6	–4.3	–26.9	–14.8	–11.4
New England	–1.6	–0.5	–11.3	–7.6	–5.5
Middle Atlantic	–3.8	–3.0	–16.4	–8.9	–9.5
South Atlantic	–3.5	–2.6	–24.3	–11.6	–9.0
East North Central	–4.9	–4.5	–21.6	–12.1	–6.5
East South Central	–1.9	–2.2	–23.7	–9.7	–6.5
West North Central	–5.1	–4.5	–31.6	–20.9	–14.5
West South Central	–5.9	–6.9	–36.1	–20.7	–18.0
Mountain	–7.3	–6.8	–32.0	–20.9	–16.7
Pacific	–6.3	–6.4	–24.9	–16.0	–12.4
Voluntary	–4.4	–3.9	–20.9	–12.1	–9.1
Proprietary	–4.8	–4.2	–37.0	–13.8	–11.4
Urban government	–4.4	–4.0	–28.6	–20.7	–17.5
Rural government	–3.6	–4.1	–32.2	–19.4	–14.3

Note: DSH (disproportionate share). Major teaching hospitals are defined by a ratio of interns and residents to beds of 0.25 or greater, while other teaching hospitals have a ratio of less than 0.25. A margin is calculated as revenue minus costs divided by revenue; margins are based on Medicare-allowed costs. 2000 values are imputed for hospitals whose 2000 cost reports were not available (about 27 percent of observations). Excludes critical access hospitals.

Source: MedPAC analysis of Medicare cost report data (fourth quarter 2002) from CMS.

**TABLE  
D-10****Hospital Medicare PPS-exempt unit margins  
excluding graduate medical education,  
by hospital group, 1996–2000**

Hospital group	1996	1997	1998	1999	2000
All hospitals	4.3%	2.3%	–1.7%	–2.3%	–0.7%
Urban	3.9	1.8	–2.3	–2.7	–1.0
Rural	7.2	5.9	2.2	0.4	1.4
Large urban	4.3	1.7	–3.1	–4.4	–2.3
Other urban	3.3	2.0	–1.0	–0.1	1.1
Rural referral	10.5	10.1	9.3	5.0	4.5
Sole community	–0.7	–4.2	–11.9	–7.9	–8.3
Small rural Medicare-dependent	7.0	2.4	–6.4	–0.2	0.1
Other rural < 50 beds	–0.6	1.6	–5.5	–5.3	–5.7
Other rural ≥ 50 beds	8.2	7.1	1.8	–0.6	4.7
Major teaching	1.5	–0.3	–8.7	–8.2	–7.3
Other teaching	4.2	0.9	–1.4	–3.2	0.2
Nonteaching	5.7	4.6	1.2	1.0	1.6
Major teaching					
Public	–5.3	–0.6	–26.3	–31.3	–24.3
Private	3.0	–0.2	–3.1	–1.6	–1.8
Other teaching					
Public	7.1	5.1	–5.1	–5.3	–0.3
Private	4.0	0.6	–1.1	–3.0	0.2
Nonteaching					
Public	4.4	3.1	–0.5	0.1	–2.2
Private	5.9	4.8	1.4	1.2	2.2
DSH					
Large urban	3.9	1.5	–4.2	–6.7	–4.1
Other urban	3.9	1.8	–0.7	–0.5	1.1
Rural	11.3	13.4	8.6	7.1	7.0
Non-DSH	4.1	2.2	–1.0	–0.3	0.6
Teaching and DSH	2.8	0.5	–5.5	–6.6	–3.8
Teaching and non-DSH	4.0	0.4	–0.6	–0.6	0.6
Nonteaching and DSH	7.3	5.8	3.5	2.2	2.6
Nonteaching and non-DSH	4.1	3.3	–1.2	–0.2	0.5
New England	–4.9	–7.3	–2.3	–1.8	–4.3
Middle Atlantic	4.9	2.6	–7.3	–6.6	–4.4
South Atlantic	3.8	5.6	3.5	2.4	3.3
East North Central	3.4	–0.2	–2.3	–1.1	0.8
East South Central	4.1	1.6	–0.9	1.3	1.0
West North Central	4.4	1.9	–3.4	–4.5	–2.7
West South Central	3.2	3.3	0.2	–5.2	–2.1
Mountain	9.4	–1.3	–5.6	–1.1	2.1
Pacific	10.5	7.2	0.7	–1.9	–0.5
Voluntary	3.8	1.2	–0.8	–0.9	0.0
Proprietary	8.1	7.1	1.8	–0.7	4.3
Urban government	1.4	2.9	–12.4	–14.3	–11.3
Rural government	2.2	2.5	–3.9	–2.7	–4.8

Note: DSH (disproportionate share). PPS (prospective payment system). PPS-exempt units include inpatient psychiatric and rehabilitation services. Major teaching hospitals are defined by a ratio of interns and residents to beds of 0.25 or greater, while other teaching hospitals have a ratio of less than 0.25. A margin is calculated as revenue minus costs divided by revenue; margins are based on Medicare-allowed costs. 2000 values are imputed for hospitals whose 2000 cost reports were not available (about 27 percent of observations). Excludes critical access hospitals.

Source: MedPAC analysis of Medicare cost report data (fourth quarter 2002) from CMS.

**TABLE  
D-11****Overall Medicare margins including  
payments for direct graduate medical  
education, by hospital group, 1996–2000**

Hospital group	1996	1997	1998	1999	2000
All hospitals	9.9%	10.4%	6.5%	5.1%	5.0%
Urban	10.7	11.5	7.8	6.4	6.3
Rural	5.0	4.1	–1.2	–2.5	–2.9
Large urban	12.3	13.2	9.5	8.4	8.4
Other urban	8.2	8.8	5.1	3.3	2.9
Rural referral	5.9	5.4	0.0	–1.7	–1.9
Sole community	6.1	4.8	–0.7	–1.6	–2.1
Small rural Medicare-dependent	3.2	3.3	–0.6	–0.7	–1.5
Other rural < 50 beds	2.4	1.7	–4.0	–3.4	–4.3
Other rural ≥ 50 beds	4.2	2.9	–3.1	–5.0	–5.6
Major teaching	17.2	19.0	15.3	13.7	14.9
Other teaching	9.6	10.1	6.7	5.7	5.0
Nonteaching	6.5	6.7	2.0	0.1	–0.2
Major teaching					
Public	18.3	19.5	15.1	10.6	11.4
Private	16.8	18.9	15.3	14.4	15.7
Other teaching					
Public	9.5	11.0	4.4	4.4	2.6
Private	9.7	10.1	6.9	5.8	5.2
Nonteaching					
Public	3.6	2.9	–1.8	–3.2	–4.8
Private	7.1	7.4	2.6	0.7	0.6
DSH					
Large urban	15.5	16.1	12.4	11.3	11.5
Other urban	10.0	10.5	6.7	4.8	4.2
Rural	7.5	6.4	0.3	–1.0	–1.7
Non-DSH	5.6	6.2	2.1	0.8	0.7
Teaching and DSH	14.4	15.2	11.7	10.3	10.4
Teaching and non-DSH	8.4	9.4	6.0	5.4	5.5
Nonteaching and DSH	10.0	9.8	4.9	3.2	2.8
Nonteaching and non-DSH	3.8	4.2	–0.5	–2.4	–2.6
New England	10.4	11.7	9.0	7.7	9.0
Middle Atlantic	12.0	13.7	11.5	11.7	13.5
South Atlantic	9.1	9.7	5.9	4.4	2.4
East North Central	6.7	7.3	2.7	0.9	0.9
East South Central	10.2	9.4	4.5	3.5	2.8
West North Central	5.5	5.5	1.7	0.0	0.9
West South Central	10.1	10.1	6.5	3.8	3.4
Mountain	10.5	10.5	5.2	2.6	1.0
Pacific	15.1	14.4	9.8	7.2	6.4
Voluntary	9.3	10.2	6.3	5.0	5.1
Proprietary	13.6	13.0	10.0	8.2	7.7
Urban government	12.3	12.6	7.8	5.3	4.5
Rural government	2.6	1.4	–3.8	–4.8	–5.9

Note: DSH (disproportionate share). Major teaching hospitals are defined by a ratio of interns and residents to beds of 0.25 or greater, while other teaching hospitals have a ratio of less than 0.25. A margin is calculated as revenue minus costs divided by revenue; margins are based on Medicare-allowed costs. 2000 values are imputed for hospitals whose 2000 cost reports were not available (about 27 percent of observations). Excludes critical access hospitals.

Source: MedPAC analysis of Medicare cost report data (fourth quarter 2002) from CMS.

**TABLE  
D-12****Distribution of overall Medicare margins including payments for direct graduate medical education, by hospital group, 2000**

Hospital group	Number of hospitals	Percentile					Percent with negative margins
		10th	25th	50th	75th	90th	
All hospitals	3,866	-18.8%	-9.3%	0.1%	9.1%	17.6%	49.8%
Urban	2,325	-15.9	-6.9	2.5	10.6	19.3	43.1
Rural	1,541	-22.4	-12.6	-3.6	5.5	13.9	60.0
Large urban	1,338	-14.7	-5.1	4.5	13.2	21.7	37.7
Other urban	987	-16.9	-8.8	-0.1	7.8	14.4	50.4
Rural referral	207	-17.9	-10.8	-3.3	4.7	11.5	60.9
Sole community	487	-22.2	-12.0	-1.9	7.9	17.3	57.3
Small rural Medicare-dependent	203	-20.7	-9.9	0.2	7.7	15.0	49.8
Other rural < 50 beds	324	-28.4	-14.4	-4.2	4.8	14.1	59.0
Other rural ≥ 50 beds	320	-24.9	-13.8	-6.0	2.1	10.5	70.9
Major teaching	252	-1.4	7.6	15.2	22.2	28.9	11.5
Other teaching	715	-9.4	-2.4	4.2	11.0	19.2	33.4
Nonteaching	2,899	-21.3	-11.7	-2.4	6.3	14.4	57.2
Major teaching							
Public	55	-2.2	1.8	12.3	19.6	26.1	16.4
Private	197	-0.8	8.8	16.3	22.6	29.6	10.2
Other teaching							
Public	44	-11.0	-5.1	0.7	6.1	12.5	45.5
Private	671	-9.3	-2.0	4.6	11.2	19.6	32.6
Nonteaching							
Public	752	-26.0	-14.7	-4.6	4.6	13.4	63.0
Private	2,147	-19.4	-10.9	-1.8	6.9	15.0	55.1
DSH							
Large urban	699	-8.2	0.5	9.1	17.8	24.7	23.7
Other urban	544	-12.4	-4.2	2.3	9.7	16.4	41.4
Rural	336	-22.1	-10.6	-1.3	8.3	17.2	53.9
Non-DSH	2,287	-21.9	-12.5	-3.1	5.5	13.2	59.2
Teaching and DSH	630	-5.8	0.8	8.8	17.4	25.1	22.5
Teaching and non-DSH	337	-12.4	-4.8	2.9	11.0	18.5	37.4
Nonteaching and DSH	949	-16.1	-7.2	1.5	10.0	18.0	45.3
Nonteaching and non-DSH	1,950	-22.5	-13.6	-4.3	4.5	11.9	62.9
New England	171	-18.0	-9.7	1.6	10.8	19.3	44.4
Middle Atlantic	448	-9.9	-1.4	7.0	16.4	26.4	30.4
South Atlantic	583	-15.8	-8.6	-0.9	8.3	14.4	53.0
East North Central	635	-22.7	-13.9	-5.3	3.8	12.1	63.9
East South Central	300	-14.5	-4.6	2.5	10.4	17.4	39.7
West North Central	443	-19.9	-13.2	-4.2	4.3	11.9	62.5
West South Central	538	-19.4	-7.9	1.0	9.0	17.6	46.5
Mountain	259	-23.2	-11.7	-1.6	8.4	16.1	54.8
Pacific	489	-18.9	-8.0	2.5	12.0	21.1	42.9
Voluntary	2,396	-17.2	-8.8	0.1	9.0	17.8	49.6
Proprietary	619	-14.7	-4.8	3.9	12.7	19.9	37.6
Urban government	270	-20.4	-11.0	-0.4	9.0	18.2	50.4
Rural government	581	-26.6	-14.4	-4.5	4.5	13.6	63.2

Note: DSH (disproportionate share). Major teaching hospitals are defined by a ratio of interns and residents to beds of 0.25 or greater, while other teaching hospitals have a ratio of less than 0.25. A margin is calculated as revenue minus costs divided by revenue; margins are based on Medicare-allowed costs. Data are imputed for hospitals whose 2000 cost reports were not available (about 27 percent of observations). Excludes critical access hospitals.

Source: MedPAC analysis of Medicare cost report data (fourth quarter 2002) from CMS.

**TABLE  
D-13****Hospital payment-to-cost ratios,  
by source of revenue, 1991–2001**

Year	Medicare	Medicaid	Uncompensated care	Private payers
1991	88.4%	81.6%	19.6%	129.7%
1992	88.8	90.9	18.9	131.3
1993	89.4	93.1	19.5	129.3
1994	96.9	93.7	19.3	124.4
1995	99.3	93.8	18.0	123.9
1996	102.4	94.8	17.3	121.5
1997	103.6	95.9	14.1	117.6
1998	102.6	97.9	13.2	113.6
1999	101.1	96.7	13.2	112.3
2000	100.2	96.1	12.1	112.5
2001	99.4	98.0	12.2	113.2

Note: Payment-to-cost ratios indicate the relative degree to which payments from each payer cover the costs of treating its patients. Operating subsidies from state and local governments are considered payments for uncompensated care, up to the level of each hospital's uncompensated care costs. Data are for community hospitals and reflect all types of patient care services. Imputed values are used for missing data (about 35 percent of observations), which corrects for underrepresentation of proprietary and public hospitals relative to voluntary institutions. Most Medicare and Medicaid managed care patients are included in the private payers category. The costs allocated to Medicare and Medicaid include CMS's allowed and nonallowed costs.

Source: MedPAC analysis of data from the American Hospital Association annual survey of hospitals.

**TABLE  
D-14****Gains or losses as a percent of total hospital costs, by source of revenue, 1991–2000**

Year	Medicare	Medicaid	Other government payers and subsidies	Uncompensated care	Private payers	Nonpatient	Total gains
1991	−4.4%	−2.3%	0.4%	−4.8%	11.6%	3.5%	4.0%
1992	−4.4	−1.2	0.2	−4.9	11.8	3.3	4.8
1993	−4.1	−0.9	0.2	−4.8	10.9	3.3	4.4
1994	−1.2	−0.9	0.2	−4.9	8.7	3.1	5.0
1995	−0.3	−0.9	−0.1	−5.0	8.5	3.7	6.0
1996	0.9	−0.7	−0.1	−5.1	7.9	4.3	7.2
1997	1.4	−0.5	−0.1	−5.2	6.7	4.9	7.2
1998	1.0	−0.2	0.0	−5.2	5.5	5.1	6.1
1999	0.4	−0.4	0.1	−5.4	5.2	5.1	4.9
2000	0.1	−0.4	0.1	−5.3	5.4	5.1	4.8

Note: Gains or losses are the difference between the cost of providing care (or operating a nonpatient service) and the payment received. Operating subsidies from state and local governments are considered payments for uncompensated care, up to the level of each hospital's uncompensated care costs. Subsidies in excess of uncompensated care costs are combined with revenue from other government payers. Nonpatient reflects both other operating and nonoperating revenue. Data are for community hospitals and reflect both inpatient and outpatient services. Imputed values are used for missing data (about 35 percent of observations), which corrects for underrepresentation of proprietary and public hospitals relative to voluntary institutions. Most Medicare and Medicaid managed care patients are included in the private payers category. Gains and losses from the sources shown sum to total gains (except due to rounding). The costs allocated to Medicare and Medicaid include CMS's allowed and nonallowed costs.

Source: MedPAC analysis of data from the American Hospital Association annual survey of hospitals.



**TABLE  
D-15****Hospital total margins, by hospital group, 1991–2000**

Hospital group	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
All hospitals	4.4%	4.4%	4.4%	5.0%	5.8%	6.1%	6.0%	4.3%	3.8%	3.4%
Urban	4.3	4.3	4.3	4.9	5.6	5.9	5.8	4.2	3.6	3.3
Rural	5.2	5.3	5.2	5.6	6.6	7.3	6.9	5.1	4.9	4.4
Large urban	3.7	3.7	3.9	4.3	4.9	5.2	5.2	3.8	3.0	2.7
Other urban	5.5	5.2	5.2	6.0	6.9	7.2	7.0	5.0	4.7	4.3
Rural referral	6.7	6.9	6.3	6.8	8.4	9.2	9.3	6.9	7.4	6.4
Sole community	5.1	5.1	5.1	5.6	5.7	6.5	6.1	4.8	3.9	3.9
Small rural Medicare-dependent	3.1	2.4	3.9	3.3	3.9	4.7	4.5	2.3	3.3	2.7
Other rural < 50 beds	2.2	2.3	2.5	2.1	2.8	4.3	2.8	1.1	1.3	1.0
Other rural ≥ 50 beds	4.5	4.8	4.7	5.6	6.7	7.1	5.9	4.6	3.3	3.4
Major teaching	3.7	3.4	3.4	3.3	4.0	3.5	4.8	3.3	2.8	1.5
Other teaching	4.6	4.5	4.6	5.3	6.3	7.0	6.5	4.2	3.9	4.2
Nonteaching	4.8	5.0	4.9	5.9	6.5	7.1	6.3	5.0	4.3	4.1
Major teaching										
Public	4.5	4.2	4.5	2.8	3.1	2.8	5.1	4.5	3.2	−0.1
Private	3.3	3.0	3.0	3.4	4.3	3.7	4.7	2.9	2.6	2.1
Other teaching										
Public	5.4	4.2	4.4	3.8	4.9	6.0	4.2	3.1	2.7	2.9
Private	4.6	4.5	4.7	5.5	6.4	7.1	6.6	4.3	4.0	4.3
Nonteaching										
Public	4.3	4.6	4.2	4.7	5.5	6.0	5.7	4.0	3.1	3.3
Private	4.8	5.0	5.1	6.1	6.7	7.3	6.4	5.2	4.6	4.2
DSH										
Large urban	3.2	3.4	3.6	3.9	4.4	4.4	4.7	3.2	2.5	1.9
Other urban	5.9	5.6	5.5	6.3	6.9	7.2	7.2	5.1	4.8	4.2
Rural	7.2	7.5	5.8	6.1	7.2	7.8	6.9	4.9	4.7	4.2
Non-DSH	4.6	4.5	4.6	5.3	6.3	7.1	6.4	4.9	4.4	4.4
Teaching and DSH	4.0	4.0	4.0	4.2	4.8	4.9	5.5	3.6	3.0	2.4
Teaching and non-DSH	4.9	4.0	4.5	4.9	6.5	7.1	6.5	4.6	4.6	4.7
Nonteaching and DSH	5.1	5.2	5.3	6.3	6.7	7.2	6.3	4.8	4.5	4.0
Nonteaching and non-DSH	4.5	4.7	4.6	5.5	6.2	7.1	6.3	5.1	4.2	4.2
New England	2.2	2.2	3.1	2.6	3.0	4.0	5.1	2.7	1.5	1.6
Middle Atlantic	1.4	0.9	1.9	2.6	3.0	3.1	3.5	1.6	0.4	0.9
South Atlantic	6.0	6.2	5.7	6.6	7.5	8.4	8.0	5.7	6.0	4.2
East North Central	4.8	4.8	4.8	5.6	6.3	6.4	6.9	4.7	5.3	3.9
East South Central	6.4	5.6	4.9	5.2	6.6	7.3	5.0	3.4	3.2	3.2
West North Central	4.9	4.5	4.7	6.6	7.3	7.4	7.8	5.8	4.9	4.9
West South Central	5.8	7.4	6.2	6.7	7.4	7.3	6.4	5.6	4.2	3.9
Mountain	5.5	5.4	7.0	7.4	7.7	8.2	4.5	5.3	3.7	4.3
Pacific	4.7	4.1	4.1	3.6	4.4	4.5	5.3	4.5	3.6	4.4
Voluntary	4.3	4.1	4.1	4.7	5.7	5.8	6.2	4.0	3.1	3.2
Proprietary	5.0	6.3	6.9	8.9	8.3	9.8	5.7	6.8	9.0	7.7
Urban government	4.6	4.2	4.3	3.5	4.0	4.0	5.1	4.2	3.0	1.2
Rural government	4.6	5.0	4.5	4.7	5.8	6.5	5.3	3.7	3.5	3.5

Note: DSH (disproportionate share). Major teaching hospitals are defined by a ratio of interns and residents to beds of 0.25 or greater, while other teaching hospitals have a ratio of less than 0.25. A margin is calculated as revenue minus costs divided by revenue. Total margin includes all patient care services funded by all payers, plus nonpatient revenue. 2000 values are imputed for hospitals whose 2000 cost reports were not available (about 27 percent of observations). Excludes critical access hospitals.

Source: MedPAC analysis of Medicare cost report data (fourth quarter 2002) from CMS.

**TABLE  
D-16****Distribution of hospital total margins, by hospital group, 2000**

Hospital group	Number of hospitals	Percentile					Percent with negative margins
		10th	25th	50th	75th	90th	
All hospitals	4,051	-9.7%	-1.9%	2.7%	7.0%	12.0%	32.8%
Urban	2,402	-10.6	-2.2	2.7	7.2	13.0	33.3
Rural	1,649	-8.5	-1.6	2.6	6.5	10.8	31.9
Large urban	1,365	-11.1	-3.0	2.1	6.9	13.1	36.9
Other urban	1,037	-9.9	-1.1	3.6	7.4	12.5	28.6
Rural referral	217	-1.5	2.3	5.8	8.3	14.2	14.7
Sole community	506	-8.6	-1.7	2.5	6.5	11.0	34.6
Small rural Medicare-dependent	222	-9.9	-3.1	1.8	5.4	9.6	37.8
Other rural < 50 beds	352	-10.4	-3.1	1.6	5.6	9.1	36.4
Other rural ≥ 50 beds	352	-6.3	-1.0	2.7	6.2	9.8	30.4
Major teaching	269	-10.8	-3.2	0.8	4.6	8.8	41.3
Other teaching	724	-7.3	-0.6	3.3	7.1	12.1	27.9
Nonteaching	3,058	-10.0	-2.0	2.7	7.1	12.3	33.2
Major teaching							
Public	71	-14.8	-5.6	-0.3	3.1	8.8	50.7
Private	198	-7.8	-2.2	1.4	4.9	8.7	37.9
Other teaching							
Public	50	-6.3	-2.1	1.8	5.4	10.3	34.0
Private	674	-7.3	-0.5	3.4	7.1	12.2	27.4
Nonteaching							
Public	813	-8.6	-1.9	2.2	6.0	9.6	32.3
Private	2,245	-10.5	-2.0	2.9	7.5	13.5	33.5
DSH							
Large urban	732	-11.6	-3.7	1.2	5.9	12.3	40.2
Other urban	567	-9.0	-0.4	3.7	7.5	13.1	26.5
Rural	369	-12.4	-3.6	1.9	6.6	10.3	38.8
Non-DSH	2,383	-8.5	-1.5	3.0	7.1	12.0	31.1
Teaching and DSH	665	-9.6	-2.2	1.8	5.8	11.1	34.6
Teaching and non-DSH	328	-6.6	0.0	3.8	8.0	12.0	25.3
Nonteaching and DSH	1,003	-12.4	-3.3	2.3	7.3	12.8	35.6
Nonteaching and non-DSH	2,055	-8.6	-1.6	2.9	7.0	12.1	32.0
New England	171	-7.2	-1.0	2.3	4.6	10.0	30.4
Middle Atlantic	466	-11.1	-3.2	0.7	4.0	7.2	42.1
South Atlantic	594	-11.0	-1.6	3.2	7.9	14.8	31.3
East North Central	648	-6.8	-0.4	3.8	7.4	11.4	26.2
East South Central	382	-12.4	-3.6	2.1	5.9	9.6	39.0
West North Central	488	-4.7	0.0	3.6	7.3	12.1	24.6
West South Central	548	-11.8	-3.9	2.3	7.1	12.6	39.6
Mountain	262	-7.9	-1.3	4.1	8.7	14.1	27.9
Pacific	492	-10.5	-2.2	2.3	7.6	14.8	33.3
Voluntary	2,479	-8.5	-1.3	2.8	6.5	10.6	31.2
Proprietary	638	-15.1	-4.1	3.4	13.8	21.5	37.3
Urban government	300	-10.7	-2.1	2.0	5.4	9.3	34.7
Rural government	632	-8.7	-2.2	2.0	6.2	9.6	33.4

Note: DSH (disproportionate share). Major teaching hospitals are defined by a ratio of interns and residents to beds of 0.25 or greater, while other teaching hospitals have a ratio of less than 0.25. A margin is calculated as revenue minus costs divided by revenue. Total margin includes all patient care services funded by all payers, plus nonpatient revenue. Data are imputed for hospitals whose 2000 cost reports were not available (about 27 percent of observations). Excludes critical access hospitals.

Source: MedPAC analysis of Medicare cost report data (fourth quarter 2002) from CMS.